

NEW BUSINESS:
ITEM NO. E-2

DISCUSSION/ACTION:

Redevelopment Agency

Acceptance of the fiscal year 2008-2009 RDA financial audit

DATE SUBMITTED 01-14-10
SUBMITTED BY FINANCE DIRECTOR
DATE ACTION REQUIRED 01/20/2010

AGENCY ACTION ()
PUBLIC HEARING REQUIRED ()
RESOLUTION ()
ORDINANCE 1ST READING ()
ORDINANCE 2ND READING ()
SECRETARY'S INITIALS ()

IMPERIAL REDEVELOPMENT AGENCY AGENDA ITEM

SUBJECT: **DISCUSSION/ACTION: ACCEPTANCE OF FISCAL YEAR 2008/2009
REDEVELOPMENT AGENCY FINANCIAL AUDIT.**

1. ACCEPT THE FY 08/09 RDA FINANCIAL AUDIT

DEPARTMENT INVOLVED: FINANCE

BACKGROUND/SUMMARY:

FISCAL IMPACT:

F.O. INITIALS _____

STAFF RECOMMENDATION:

MANAGER'S RECOMMENDATION:

MANAGER'S INITIALS _____

MOTION:

SECONDED:
AYES:
NAYES:
ABSENT:

APPROVED () REJECTED ()
DISAPPROVED () DEFERRED ()

REFERRED TO:

**THE REDEVELOPMENT AGENCY
OF THE CITY OF IMPERIAL**

FINANCIAL STATEMENTS

JUNE 30, 2009

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
FINANCIAL STATEMENTS
JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets.....	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Low and Moderate Income Housing Special Revenue Fund	9
Notes to Basic Financial Statements.....	10
Other Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Redevelopment Projects Fund	22
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.

9107 WILSHIRE BLVD., STE 400
BEVERLY HILLS, CA 90210
PHONE: (310) 273-2745
FAX: (310) 273-1689
EMAIL: mlhbh@mlhcppos.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Redevelopment Agency
of the City of Imperial
Imperial, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Imperial (Agency), a component unit of the City of Imperial, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Redevelopment Agency of the City of Imperial, as of June 30, 2009, and the respective changes in the financial position, thereof, and the budgetary comparison for the Low and Moderate Income Housing Special Revenue Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2008, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; GASB Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Agency has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying budgetary comparison schedule for the Redevelopment Projects Fund listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule of the Redevelopment Projects Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 23, 2009

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS	<u>Governmental Activities</u>
Current Assets	
Cash and investments	\$ 247,231
Accounts receivable	27,037
Interest receivable	1,263
Notes receivable	501,975
Restricted assets:	
Cash and investments	17,970,090
Land held for resale	311,012
Total Current Assets	<u>19,058,608</u>
Noncurrent Assets	
Deferred charges (net of amortization)	1,234,742
Capital assets:	
Infrastructure	2,671,870
Buildings and improvement	1,706,326
Equipment	35,342
Accumulated depreciation	(235,650)
Total Noncurrent Assets	<u>5,412,630</u>
Total Assets	<u>24,471,238</u>
LIABILITIES	
Current Liabilities	
Accounts payable	316,685
Interest payable	95,496
Long-term liabilities:	
Due within one year	401,424
Total Current Liabilities	<u>813,605</u>
Noncurrent Liabilities	
Due in more than one year	24,519,032
Total Liabilities	<u>25,332,637</u>
NET ASSETS	
Restricted:	
Debt service	4,799,704
Low and moderate income housing	5,471,275
Unrestricted	(11,132,378)
Total Net Assets (Deficit)	<u>\$ (861,399)</u>

The notes to the basic financial statements are an integral part of this statement.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Community development	\$ 1,654,972	\$ -	\$ -	\$ -	\$ (1,654,972)
Interest on long-term debt	1,132,679				(1,132,679)
Total Governmental Activities	<u>\$ 2,787,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,787,651)</u>
General Revenues:					
Taxes:					
Tax increment					2,987,958
Investment earnings					95,821
Other					86,509
Total General Revenues					<u>3,170,288</u>
Transfer to the City of Imperial					<u>(350,000)</u>
Change in Net Assets					32,637
Net Assets (Deficit), Beginning of Fiscal Year					<u>(894,036)</u>
Net Assets (Deficit), End of Fiscal Year					<u>\$ (861,399)</u>

The notes to basic financial statements are an integral part of this statement.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Redevelopment Capital Projects	Redevelopment Housing Special Revenue	Redevelopment Debt Service	Total Governmental Funds
ASSETS				
Cash and investments	\$ -	\$ 247,231	\$ -	\$ 247,231
Restricted cash and investments with fiscal agents	11,614,121	4,745,915	1,610,054	17,970,090
Receivables:				
Accounts		5,407	21,630	27,037
Interest		1,263		1,263
Notes	501,975			501,975
Due from other funds		471,459	3,579,801	4,051,260
Land held for resale	311,012			311,012
Total Assets	<u>\$ 12,427,108</u>	<u>\$ 5,471,275</u>	<u>\$ 5,211,485</u>	<u>\$ 23,109,868</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 400	\$ -	\$ 316,285	\$ 316,685
Due to other funds	4,051,260			4,051,260
Deferred revenue	501,975			501,975
Total Liabilities	<u>4,553,635</u>		<u>316,285</u>	<u>4,869,920</u>
FUND BALANCES				
Reserved for:				
Land held for resale	311,012			311,012
Debt service			4,895,200	4,895,200
Low and moderate income housing		5,471,275		5,471,275
Unreserved, designated and reported in:				
Capital projects fund	7,562,461			7,562,461
Total Fund Balances	<u>7,873,473</u>	<u>5,471,275</u>	<u>4,895,200</u>	<u>18,239,948</u>
Total Liabilities and Fund Balances	<u>\$ 12,427,108</u>	<u>\$ 5,471,275</u>	<u>\$ 5,211,485</u>	<u>\$ 23,109,868</u>

The notes to basic financial statements are an integral part of this statement.

**THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Fund Balances of Governmental Funds	\$ 18,239,948
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets, net of accumulated depreciation, used in
governmental activities are not current financial resources and,
therefore, are not reported in the governmental funds.

Infrastructure	\$	2,671,870	
Buildings and improvement		1,706,326	
Equipment		35,342	
Accumulated depreciation		(235,650)	
			4,177,888

Deferred charges, net of amortization, are not available in the current year and therefore, are not reported in the governmental funds.	1,234,742
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(24,920,456)
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Certain revenues are deferred in the governmental funds when availability criteria is not met. These revenues are not deferred in the statement of net assets.	501,975
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Accrued interest payable is not recorded in the governmental funds since interest expenditures are recognized when paid.	(95,496)
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Net Assets of Governmental Activities	\$ (861,399)
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The notes to the basic financial statements are an integral part of this statement.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Redevelopment Capital Projects	Redevelopment Housing Special Revenue	Redevelopment Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ -	\$ 599,192	\$ 2,388,766	\$ 2,987,958
Use of money and property	28,923	40,540	26,358	95,821
Other	86,509			86,509
Total Revenues	115,432	639,732	2,415,124	3,170,288
EXPENDITURES				
Current:				
Community development	727,665	5,682	648,810	1,382,157
Capital outlay	1,747,970			1,747,970
Debt service:				
Principal			470,625	470,625
Interest and fiscal charges			1,133,504	1,133,504
Total Expenditures	2,475,635	5,682	2,252,939	4,734,256
Excess (Deficiency) of Revenues Over Expenditures	(2,360,203)	634,050	162,185	(1,563,968)
OTHER FINANCING SOURCES (USES)				
Transfers in			320,826	320,826
Transfers out	(120,000)	(200,826)		(320,826)
Transfer to City of Imperial		(350,000)		(350,000)
Total Other Financing Sources (Uses)	(120,000)	(550,826)	320,826	(350,000)
Net Change in Fund Balances	(2,480,203)	83,224	483,011	(1,913,968)
Fund balances, beginning of fiscal year	10,353,676	5,388,051	4,412,189	20,153,916
Fund balances, end of fiscal year	\$ 7,873,473	\$ 5,471,275	\$ 4,895,200	\$ 18,239,948

The notes to basic financial statements are an integral part of this statement.

**THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances of Governmental Funds \$ (1,913,968)

Amounts reported for governmental activities in the Statement of Activities
differ from the amounts reported in the Statement of Revenues,
Expenditures, and Changes in Fund Balances because:

Governmental funds do not report depreciation as an expenditure since it
does not require the use of current financial resources. Depreciation expense
is recorded on the Statement of Activities to allocate the cost of assets over
their useful lives. This amount represents the difference between current year
capital asset additions and current year depreciation expense.

Capital asset additions	\$	1,741,668	
Depreciation		<u>(161,431)</u>	
			1,580,237

The assets and liabilities below are not due and payable in the current period
and therefore, are not reported in the funds:

Accrued interest is interest due on long-term debt payable. This is the net
change in accrued interest for the current period

Prior year interest payable	\$	96,321	
Current year interest payable		<u>(95,496)</u>	
			825

The issuance of long-term debt provides current financial resources to governmental funds,
while repayment of the principal of long-term debt consumes the current financial
resources of the governmental funds. Issuance of bond principal is an other financing
source and repayment of bond principal is an expenditure in governmental funds, but the
issuance increases long-term liabilities and the repayment reduces long-term liabilities
in the statement of net assets. This is the net change between principal repaid and
issued for the current period.

Repayment of long term notes	\$	445,000	
Repayment of advances from City of Imperial		25,625	
Amortization of deferred loss on refunding		(55,773)	
Amortization of original issue discount		(2,803)	
Amorization of other deferred charges		<u>(46,506)</u>	
			<u>365,543</u>

Change in Net Assets of Governmental Activities	\$	<u>32,637</u>
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The notes to the basic financial statements are an integral part of this statement.

**THE REDEVELOPMENT AGENCY OF THE CITY IMPERIAL
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HOUSING SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 424,184	\$ 424,184	\$ 599,192	\$ 175,008
Use of money and property	90,000	90,000	40,540	(49,460)
Total Revenues	<u>514,184</u>	<u>514,184</u>	<u>639,732</u>	<u>125,548</u>
EXPENDITURES				
Current:				
Community development	13,500	13,500	5,682	7,818
Capital outlay	75,000	75,000		75,000
Total Expenditures	<u>88,500</u>	<u>88,500</u>	<u>5,682</u>	<u>82,818</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>425,684</u>	<u>425,684</u>	<u>634,050</u>	<u>208,366</u>
OTHER FINANCING SOURCES (USES)				
Transfers out			(200,826)	(200,826)
Transfer to the City of Imperial			(350,000)	(350,000)
Total Other Financing Sources (Uses)			<u>(550,826)</u>	<u>(550,826)</u>
Net Change in Fund Balance	425,684	425,684	83,224	(342,460)
Fund balance, beginning of fiscal year	<u>5,388,051</u>	<u>5,388,051</u>	<u>5,388,051</u>	
Fund balance, end of fiscal year	<u>\$ 5,813,735</u>	<u>\$ 5,813,735</u>	<u>\$ 5,471,275</u>	<u>\$ (342,460)</u>

The notes to basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Redevelopment Agency of the City of Imperial (Agency) is a component unit of the City of Imperial. Determination of a component unit is based on criteria such as financial interdependency, selection of governing authority and designation of management, budget control, ability to significantly influence operations, and etc.

These financial statements contain information relative only to the Redevelopment Agency of the City of Imperial as one component unit which is an integral part of the total reporting entity. They do not contain financial data relating to other reporting units.

The Agency was established in 2002, pursuant to the State of California Health and Safety Code, Section 33000. As of June 30, 2009, it consists of one project area. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within the territorial limits of the City of Imperial.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures at least equal to ten percent of their fund-type total and five percent of the grand total. The Agency has determined that all its funds are major funds.

The Agency reported the following major governmental funds in the accompanying component unit financial statements:

Redevelopment Housing Special Revenue Fund – This fund accounts for the portion of City and County tax increment funds received for redevelopment related purposes and set aside for low and moderate income housing.

Redevelopment Capital Projects Fund – This fund accounts for redevelopment project capital outlays.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

Redevelopment Debt Service Fund – This fund accounts for debt service payments on the Agency's long-term debt issues.

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

E. Accounting Policies

Revenue

The Agency's primary source of revenue is property taxes, referred to in the accompanying component unit financial statements as "incremental property taxes". Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.
- b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Accounting Policies (Continued)

Revenue (Continued)

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the Agency. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the Agency.

The Agency is also authorized to finance the redevelopment plan from other sources, including assistance from the City, the State and Federal Government, interest income, and the issuance of Agency debt.

Property Taxes

Property taxes in the State of California are administered for all local agencies at the County level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

The California Community Redevelopment Law provides that assessed valuations of a redevelopment project are, in effect, frozen at the level existing when the redevelopment plan is adopted, and all property taxes produced from this valuation continue to flow to all public agencies levying taxes on property in the project. Taxes produced from any increases in the assessed valuation of a project over the "frozen base" may be allocated to a redevelopment agency to pay or repay costs incurred on behalf of the project. The assessed valuation of a project may be temporarily or permanently reduced below the frozen base as a result of ownership of property by a redevelopment agency pending resale to a developer (temporary), or because of permanent reduction of the assessed valuation will cause a concurrent reduction of the frozen base so that the production of tax increment from new development will not be impaired.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Imperial collects property taxes for the Agency. Tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. One-half of the taxes on real property are due on November 1st; the second installment is due on February 1st. All taxes are delinquent, if unpaid by December 10th and April 10th respectively. Unsecured personal property taxes become due on January 1st of each year and are delinquent, if unpaid by August 31st.

F. Budgets and Budgetary Accounting

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the fiscal year. Public hearings are conducted prior to its adoption by the Governing Board. Supplemental appropriations, where required during the period are also approved by the Governing Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the function level. At fiscal year-end all operating budget appropriations lapse.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting (Continued)

Budgetary comparison is provided in the accompanying financial statements for the Low and Moderate Income Housing Special Revenue Fund and Redevelopment Project Fund. For Low and Moderate Income Housing Special Revenue Fund, the originally-adopted budget is also presented. For the Debt Service Fund, there is no appropriation for the budget.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, deferred losses on refundings, and issuance costs are deferred and amortized over the life of the bonds. These items are reported as deferred charges and amortized over the term of the related debt.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. New Accounting Pronouncements

The Agency has implemented the requirements of GASB Statement No. 49, No. 52, No. 55, and No. 56 during the fiscal year ended June 30, 2009.

GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations

This Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning.

GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments

This Statement is effective for periods beginning after June 15, 2008. The Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Accounting Pronouncements (Continued)

GASB Statement No. 55 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

This Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB Statement No. 56 – Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards

This Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 247,231
Restricted cash and investments with fiscal agents	<u>17,970,090</u>

Total cash and investments	<u>\$18,217,321</u>
----------------------------	---------------------

Cash and investments as of June 30, 2009 consist of the following:

Pooled cash and investments with the City of Imperial	\$ 247,231
Cash with fiscal agents	1,610,054
Investments	<u>16,360,036</u>

Total cash and investments	<u>\$18,217,321</u>
----------------------------	---------------------

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	20%	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investments Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	40 million

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by trustee.

The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
State of California Obligations	N/A	None	None
California Local Agency Obligations	N/A	None	None
U.S. Agencies	N/A	None	None
Bankers Acceptances	1 year	None	None
Commercial Paper	N/A	None	None
Negotiable Certificates of Deposit	N/A	None	None
Repurchase Agreements	30 days	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Collateralized Bank Deposits	N/A	None	None
Time Deposits	N/A	None	None
Investment Agreements	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments and those held by trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
Held by Fiscal Agents:							
Money market funds	\$ 16,360,036	\$ 16,360,036	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ 16,360,036	\$ 16,360,036	\$ -	\$ -	\$ -	\$ -	\$ -

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Held by Fiscal Agents:							
Money market funds	\$ 16,360,036	N/A	\$ -	\$ 16,360,036	\$ -	\$ -	\$ -
Totals	\$ 16,360,036		\$ -	\$ 16,360,036	\$ -	\$ -	\$ -

Concentration of Credit Risk

The investment policy of the Agency contains limitations on the amount that can be invested in any one issuer. The Agency did not have investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

See the City of Imperial basic financial statements for more information relating to custodial credit risk for amounts reported as cash and investments pooled with the City of Imperial.

NOTE 3 DEFERRED CHARGES

Deferred charges consist of issuance costs and discounts for debt issues. The total costs deferred as a result of the issuance of the 2005 tax allocation refunding bonds, and 2008 tax allocation notes were \$1,234,742. The amortization expense for the fiscal year ended June 30, 2009 was \$46,506. The amortization periods are 240 months for the 2005 tax allocation bonds, and 360 months for the 2008 tax allocation notes.

NOTE 4 NOTES RECEIVABLE

The Agency administers a commercial micro-enterprise program. A committee approves the loans, the funds are disbursed to the contractor awarded the bid upon review of the building inspector, the administering agency, and the Agency. The programs are designed to encourage construction or improvement in the project area to remove blight, improve community appearance, prevent continuing declines in property values, rehabilitate, and restore existing commercial revenue generating properties, construct new projects, and revitalize economically depressed areas through new investment. Under these programs, loans are provided under favorable terms to developers who agree to spend these funds in accordance with the Agency's terms. The balance of the loans receivable arising from these programs was \$501,975 at 0%. The developers shall remain fully responsible and liable for the performance of the obligations of the developers until the fifth anniversary of the recording of the Notice of Completion for the construction or improvement.

NOTE 5 CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these capital assets. The amount charged to depreciation expense for each fiscal year represents that fiscal year's pro rata share of the cost of capital assets.

GASB Statement No.34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 CAPITAL ASSETS (Continued)

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period.

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Infrastructure	\$ 2,671,870	\$ -	\$ -	\$ 2,671,870
Buildings and improvements		1,706,326		1,706,326
Equipment		35,342		35,342
Accumulated depreciation	(74,219)	(161,431)		(235,650)
Totals	<u>\$ 2,597,651</u>	<u>\$ 1,580,237</u>	<u>\$ -</u>	<u>\$ 4,177,888</u>

NOTE 6 LONG-TERM OBLIGATIONS

A. Changes in Long-Term Debt

The following is a summary of long-term obligation transactions of the Agency for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Due within One Year
2005 Tax Allocation Refunding Bonds	\$ 8,725,000	\$ -	\$ (160,000)	\$ 8,565,000	\$ 165,000
2008 Tax Allocation Notes	16,935,000		(285,000)	16,650,000	295,000
Deferred loss on refunding	(269,021)		55,773	(213,248)	(55,773)
Original issuance discount	(84,099)		2,803	(81,296)	(2,803)
Advance from the City of Imperial	25,625		(25,625)		
Total	<u>\$ 25,332,505</u>	<u>\$ -</u>	<u>\$ (412,049)</u>	<u>\$ 24,920,456</u>	<u>\$ 401,424</u>

B. 2005 Tax Allocation Refunding Bonds

On December 14, 2005, the Redevelopment Agency of the City of Imperial issued \$9,055,000 Tax Allocation Refunding Bonds bearing interest of 3.0% to 4.0%, payable semi-annually on June 1 and December 1 commencing June 1, 2006. The bonds mature annually at various amounts through December 1, 2036 and are subject to optional redemption prior to maturity, in whole or in part, on December 1, 2016. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bond proceeds were used to refund all of the Agency's 2002 Tax allocation notes, fund certain redevelopment activities of benefit to the Agency's project area, fund a reserve fund for the Bonds, and pay the costs of issuing the Bonds. Bonds outstanding at June 30, 2009, were \$8,565,000.

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 LONG-TERM OBLIGATIONS (Continued)

D. 2008 Tax Allocation Notes

On November 17, 2007 the Redevelopment Agency of the City of Imperial issued \$16,935,000 of 2008 Tax Allocation Notes. The proceeds from the issue were used to refund the 2006 Tax Allocation Notes, finance certain redevelopment activities of benefit to the Agency's project area, fund a reserve account, pay capitalized interest on the notes commencing June 1, 2008, and pay the costs of issuing the notes. The notes bear interest at an annual rate of 4.50%. The notes mature on December 1, 2037. The notes are payable from and secured by the pledged tax increment revenues. The outstanding principal balance of the notes as of June 30, 2009 was \$16,650,000.

The annual requirements to amortize long-term debt outstanding at June 30, 2009 are as follows:

2005 Tax Allocation Refunding Bonds			
Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 165,000	\$ 380,763	\$ 545,763
2011	170,000	374,888	544,888
2012	180,000	367,888	547,888
2013	185,000	361,051	546,051
2014	195,000	353,426	548,426
2015-2019	1,090,000	1,639,019	2,729,019
2020-2024	1,340,000	1,383,567	2,723,567
2025-2029	1,655,000	1,053,431	2,708,431
2030-2034	2,080,000	621,806	2,701,806
2035-2037	1,505,000	111,572	1,616,572
Total	\$ 8,565,000	\$ 6,647,411	\$ 15,212,411

2008 Tax Allocation Notes			
Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 295,000	\$ 762,715	\$ 1,057,715
2011	310,000	750,915	1,060,915
2012	320,000	738,515	1,058,515
2013	335,000	725,715	1,060,715
2014	345,000	712,315	1,057,315
2015-2019	1,925,000	3,360,775	5,285,775
2020-2024	2,340,000	2,952,720	5,292,720
2025-2029	2,905,000	2,391,524	5,296,524
2030-2034	3,675,000	1,619,250	5,294,250
2035-2038	4,200,000	577,500	4,777,500
Subtotal	16,650,000	14,591,944	31,241,944
Deferred loss on refunding	(213,248)		(213,248)
Original issuance discount	(81,296)		(81,296)
Total	\$ 33,005,456	\$ 29,183,888	\$ 62,189,344

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ended June 30,	Total Governmental Activities		
	Principal	Interest	Total
2010	\$ 460,000	\$ 1,143,478	\$ 1,603,478
2011	480,000	1,125,803	1,605,803
2012	500,000	1,106,403	1,606,403
2013	520,000	1,086,766	1,606,766
2014	540,000	1,065,741	1,605,741
2015-2019	3,015,000	4,999,794	8,014,794
2020-2024	3,680,000	4,336,287	8,016,287
2025-2029	4,560,000	3,444,955	8,004,955
2030-2034	5,755,000	2,241,056	7,996,056
2035-2038	5,705,000	111,572	5,816,572
Subtotal	25,215,000	20,661,855	45,876,855
Deferred loss on refunding	(213,248)		(213,248)
Original issuance discount	(81,296)		(81,296)
Total	<u>\$ 50,135,456</u>	<u>\$ 41,323,710</u>	<u>\$ 91,459,166</u>

NOTE 7 INTERFUND ACTIVITIES

The following represents the interfund activity of the Agency for the fiscal year ended June 30, 2009.

A. Due To/From Other Funds

Current interfund balances arise in the normal course of business and to assist funds with negative cash balances at fiscal year end.

Due to/Due from	Receivable	Payable
Redevelopment Capital Projects Fund	\$ -	\$ 4,051,260
Redevelopment Debt Service Fund	3,579,801	
Redevelopment Housing Special Revenue Fund	471,459	
Totals	<u>\$ 4,051,260</u>	<u>\$ 4,051,260</u>

B. Transfers

Interfund transfers during the fiscal year ended June 30, 2009 were as follows:

	Transfers In	Transfers Out
Redevelopment Capital Projects Fund	\$ -	\$ 120,000
Redevelopment Debt Service Fund		200,826
Redevelopment Housing Special Revenue Fund	320,826	
Totals	<u>\$ 320,826</u>	<u>\$ 320,826</u>

THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 NET ASSETS AND FUND BALANCES

Net assets are measured on the full accrual basis, whereas fund balances are measured on the modified accrual basis.

A. Net Assets

Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net assets as determined at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Agency's net assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes. None of the restricted net assets were restricted due to enabling legislation.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

B. Fund Balances

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated for low and moderate income housing projects as required by the California Health and Safety Code or debt service expenditures as required under debt indenture.

NOTE 9 COMMITMENTS AND CONTINGENCIES

There are certain claims against the Agency which have been denied and referred to the Agency insurance carrier. The Agency believes that none of these claims will exceed insurance coverage.

Under the terms of federal, county, and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the Agency believes such disallowances, if any, would be immaterial.

NOTE 10 FINANCIAL CONDITION

The Agency has a deficit in net assets of \$861,399 at June 30, 2009. The agency projects future resources will be sufficient to pay long-term obligations as they become due.

**THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REDEVELOPMENT CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 2,120,917	\$ -	\$ (2,120,917)
Use of money and property	259,600	28,923	(230,677)
Other	500	86,509	86,009
Total Revenues	<u>2,381,017</u>	<u>115,432</u>	<u>(2,265,585)</u>
EXPENDITURES			
Current:			
Community development	700,647	727,665	(27,018)
Capital outlay	6,793,918	1,747,970	5,045,948
Debt service:			
Note issuance costs	<u>1,778,097</u>		<u>1,778,097</u>
Total Expenditures	<u>9,272,662</u>	<u>2,475,635</u>	<u>6,797,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,891,645)</u>	<u>(2,360,203)</u>	<u>4,531,442</u>
OTHER FINANCING SOURCES (USES)			
Transfers out		<u>(120,000)</u>	<u>(120,000)</u>
Total Other Financing Sources (Uses)		<u>(120,000)</u>	<u>(120,000)</u>
Net Change in Fund Balance	(6,891,645)	(2,480,203)	4,411,442
Fund balance, beginning of fiscal year	<u>10,353,676</u>	<u>10,353,676</u>	
Fund balance, end of fiscal year	<u>\$ 3,462,031</u>	<u>\$ 7,873,473</u>	<u>\$ 4,411,442</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.

9107 WILSHIRE BLVD., STE 400
BEVERLY HILLS, CA 90210
PHONE: (310) 273-2745
FAX: (310) 273-1689
EMAIL: mlhbh@mlhpcpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
The Redevelopment Agency
of the City of Imperial
Imperial, California

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Imperial (Agency), a component unit of the City of Imperial, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Agency's Board of Directors, management, and the California State Controller's Office Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specific parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 23, 2009